

DEPARTMENT OF ENVIRONMENT AND RESOURCE MANAGEMENT

**RESOURCE PROTECTION AND DEVELOPMENT
REVOLVING FUND**

FINANCIAL STATEMENTS

For the Year Ended March 31, 1999



Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Resource Protection and Development Revolving Fund as at March 31, 1999 and the statements of operations and accumulated operating surplus/(deficit), and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
October 14, 1999

Wayne Strelloff, CA
Provincial Auditor

Statement 1

**RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
BALANCE SHEET
As at March 31**

| | <u>1999</u> | <u>1998</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Accounts receivable | \$ 64,943 | \$ 51,172 |
| Inventories | 291,043 | 272,520 |
| Prepaid expenses | <u>45,706</u> | <u>60,471</u> |
| | <u>401,692</u> | <u>384,163</u> |
| Capital assets (Note 5) | <u>2,199,671</u> | <u>2,230,299</u> |
| | <u>\$ 2,601,363</u> | <u>\$ 2,614,462</u> |
| LIABILITIES AND FUND EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 142,922 | 150,695 |
| Unearned revenue | <u>—</u> | <u>64,836</u> |
| | <u>142,922</u> | <u>215,531</u> |
| Non-current liabilities: | | |
| Accumulated net expenditure (Statement 3) | <u>2,163,134</u> | <u>2,507,549</u> |
| Fund equity: | | |
| Accumulated operating surplus/(deficit) (Statement 2) | <u>295,307</u> | <u>(108,618)</u> |
| | <u>\$ 2,601,363</u> | <u>\$ 2,614,462</u> |

(See accompanying notes to the financial statements)

Statement 2

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED
OPERATING SURPLUS/(DEFICIT)
For the Year Ended March 31

| | <u>Budget 1999</u> | <u>Actual 1999</u> | <u>Actual 1998</u> |
|--|------------------------|------------------------|------------------------|
| Revenues: | | | |
| Spruce budworm program (Note 6) | \$ 1,700,000 | \$ 2,289,836 | \$ 1,375,164 |
| Radio communications | 1,187,000 | 1,864,198 | 1,233,352 |
| Equipment rental and recoveries | 206,921 | 241,734 | 213,794 |
| Staff housing | 117,912 | 116,527 | 98,491 |
| Northern air operations | 198,180 | 122,989 | 95,744 |
| Other | --- | 16,687 | 640 |
| Grants from Government of Canada | <u>---</u> | <u>5,401</u> | <u>20,785</u> |
| | <u>3,410,013</u> | <u>4,657,372</u> | <u>3,037,970</u> |
| Expenses: | | | |
| Contractual services | 2,025,752 | 2,588,552 | 1,626,993 |
| Salaries | 858,204 | 993,493 | 890,981 |
| Amortization | 323,597 | 348,338 | 319,786 |
| Materials & supplies | 146,960 | 256,541 | 177,574 |
| Travel & sustenance | 55,500 | 66,373 | 81,784 |
| Other | <u>---</u> | <u>150</u> | <u>2,801</u> |
| | <u>3,410,013</u> | <u>4,253,447</u> | <u>3,099,919</u> |
| Net income/(loss) (Note 7) | <u>\$ ---</u> | 403,925 | (61,949) |
| Accumulated operating (deficit), beginning of year | | <u>(108,618)</u> | <u>(46,669)</u> |
| Accumulated operating surplus/(deficit), end of year - to Statement 1 | | <u>\$ 295,307</u> | <u>\$ (108,618)</u> |

(See accompanying notes to the financial statements)

Statement 3

**RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31**

| | <u>1999</u> | <u>1998</u> |
|--|---------------------|---------------------|
| Financing (provided by) required for operating activities: | | |
| Net income/loss | \$ (403,925) | \$ 61,949 |
| Items not affecting working capital | | |
| - amortization | (348,338) | (319,786) |
| - gain/loss on disposal of capital assets | 9,571 | (739) |
| Net increase (decrease) in working capital items related to operations (Note 8) | <u>90,138</u> | <u>15,164</u> |
| | <u>(652,554)</u> | <u>(243,412)</u> |
| Financing (provided by) required for investing activities: | | |
| Purchase of capital assets | 370,473 | 264,649 |
| Proceeds from sale of capital assets | <u>(62,334)</u> | <u>(34,906)</u> |
| | <u>308,139</u> | <u>229,743</u> |
| Net decrease in financing requirements | <u>(344,415)</u> | <u>(13,669)</u> |
| Accumulated net expenditure, beginning of year | <u>2,507,549</u> | <u>2,521,218</u> |
| Accumulated net expenditure, end of year | | |
| - Statement 1 | <u>\$ 2,163,134</u> | <u>\$ 2,507,549</u> |

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority and Definition of Reporting Entity

The Revolving Fund operates under the authority of Section 19 of *The Natural Resources Act*. The purpose of the Revolving Fund is to provide resource protection and development services.

2. Significant Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 8. The following accounting policies are considered significant:

a) Net Expenditure/(Recovery)

The net expenditure/(recovery) is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the following:

- i) net expenditure/(recovery) for each fiscal year; and
- ii) the book value of assets acquired at no charge from another government agency.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value.

d) **Revenue recognition**

Amounts received under contractual agreements are recognized as revenue in the year in which the related expenses are incurred. Amounts received before expenses are incurred are shown as unearned revenue.

e) **Capital Assets**

Amortization is calculated on the straight line basis. Annual rates are from 5% to 33% for equipment rental and 8% for radio communications.

3. Authorized Financing

Subsection 19(9) of *The Natural Resources Act* specifies that the maximum balance amount of accumulated net expenditure which may be outstanding at any time will be set by order of the Lieutenant Governor in Council. A maximum amount of \$5,500,000 was established by Order in Council 515/94.

4. Disposition of Accumulated Operating Surplus or Deficit

In accordance with Subsection 19(4) of *The Natural Resources Act*, the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated surplus/deficit for the Revolving Fund shall be \$200,000. Treasury Board has also specified that if at the end of a fiscal year, the accumulated surplus/deficit exceeds the maximum, then any surplus/deficit in excess of the maximum shall, as soon as possible after the close of the fiscal year be paid to/from the General Revenue Fund.

However, if any deficit is in fact a subsidy and not a deficit due to business fluctuations, it must be recovered from the General Revenue Fund (Department of Environment and Resource Management's appropriation) in the same year. The Department budgets for a subsidy to the Revolving Fund in the same year that the deficit is expected to occur.

5. Capital Assets

| | 1999 | | 1998 |
|----------------------|---------------------|-------------------------------------|---------------------------|
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> |
| Equipment rental | \$ 3,962,954 | \$ 2,430,654 | \$ 1,532,300 |
| Radio communications | <u>2,935,196</u> | <u>2,267,825</u> | <u>667,371</u> |
| | <u>\$ 6,898,150</u> | <u>\$ 4,698,479</u> | <u>\$ 2,230,299</u> |

6. Spruce Budworm Control Program

The Department provides services to forestry companies under a 3-year agreement to control and monitor spruce budworms in designated areas. During the year, the Department received \$2,225,000 (1998-\$1,440,000) from forestry companies and spent \$2,289,836 (1998-\$1,375,164) on the program.

7. Segmented Information

| | 1999 | | 1998 |
|-------------------------|---------------------|---------------------|-------------------|
| | <u>Revenues</u> | <u>Expenses</u> | <u>Net Income</u> |
| Spruce budworm program | \$ 2,289,836 | \$ 2,289,836 | \$ --- |
| Radio communications | 1,864,198 | 1,498,880 | 365,318 |
| Equipment rentals | 241,734 | 183,934 | 57,800 |
| Staff housing | 116,527 | 100,628 | 15,899 |
| Northern air operations | 122,989 | 158,081 | (35,092) |
| Other | 16,687 | 16,687 | --- |
| Government of Canada | <u>5,401</u> | <u>5,401</u> | <u>---</u> |
| | <u>\$ 4,657,372</u> | <u>\$ 4,253,447</u> | <u>\$ 403,925</u> |

8. Net Change in Working Capital Items Related to Operations

| | <u>1999</u> | <u>1998</u> |
|--|------------------|------------------|
| Increase (decrease) in accounts receivable | 13,771 | (36,519) |
| Increase in inventories | 18,523 | 27,753 |
| Decrease in prepaid expenses | (14,765) | (5,430) |
| Decrease in accounts payable and accrued liabilities | 7,773 | 94,196 |
| Decrease (increase) in unearned revenue | <u>64,836</u> | <u>(64,836)</u> |
| | <u>\$ 90,138</u> | <u>\$ 15,164</u> |

9. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. Rates charged by the Revolving Fund for services are calculated to recover costs incurred. These transactions, and amounts outstanding at year end, are as follows:

| <u>Category</u> | <u>1999</u> | <u>1998</u> |
|---------------------|--------------|--------------|
| Revenue | \$ 2,135,503 | \$ 1,454,152 |
| Expenses | 190,281 | 174,562 |
| Accounts payable | 12,076 | 11,124 |
| Accounts receivable | 39,989 | 50,829 |

In addition, the Revolving Fund pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by the various

departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

12. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13. Amount Reported in Public Accounts

The net recovery of the Revolving Fund reported in Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

| | <u>1999</u> | <u>1998</u> |
|--|-------------------|------------------|
| Net income/(loss) | \$ 403,925 | \$ (61,949) |
| (Increase) in inventory | (18,523) | (27,753) |
| Decrease in net capital assets | 30,629 | 90,782 |
| Amounts not included in Public Accounts due to timing | <u>(61,624)</u> | <u>58,850</u> |
| Net recovery reported in Public Accounts | <u>\$ 354,407</u> | <u>\$ 59,930</u> |

14. Comparative Figures

Certain comparative figures have been reclassified to conform with the year's financial statement presentation.